



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

June 12, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **LOS ANGELES URBAN LEAGUE, INC. CONTRACTS - WORKFORCE
INVESTMENT ACT PROGRAMS**

We have conducted program, fiscal and administrative contract reviews of Los Angeles Urban League, Inc. (Urban League or Agency), a Workforce Investment Act (WIA) services provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Urban League, a private non-profit organization, to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. Urban League has two offices located in the First and Second Districts.

Urban League is compensated on a cost reimbursement basis. Urban League had two contracts with DCSS during Fiscal Year (FY) 2005-06 for \$1,372,517 and \$798,365, at their South Central and Pomona offices, respectively.

Purpose/Methodology

The purpose of the review was to determine whether Urban League complied with its contract terms and appropriately accounted for and spent WIA funds in providing

"To Enrich Lives Through Effective and Caring Service"

services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Urban League maintained appropriate documentation to support the participants' eligibility to receive program services for all 40 participants sampled. However, Urban League over billed DCSS \$493,430. Specifically:

- Urban League billed DCSS \$163,153 in FY 2005-06 for rent, building security and office supplies that were not part of the WIA programs.
- Urban League did not provide documentation to support expenditures billed to DCSS in FY 2004-05 and FY 2003-04 totaling \$158,716 (\$75,166 in FY 2004-05 and \$83,550 in FY 2003-04).
- Urban League did not obtain prior written approval from DCSS to lease several copiers with a total cost of \$93,374 per year. The County contract requires prior written approval from DCSS for equipment costing over \$5,000.
- Urban League exceeded budgeted amounts for rent, office supplies, building security, training, equipment leases, advertising/marketing, postage and insurance by a total of \$65,028. The County contract requires the contractor to request reimbursement for actual expenditures incurred not to exceed budgeted amounts allocated by each cost category.
- Urban League's employee timecards did not always indicate the hours worked each day by program as required by the County contract. Specifically, for seven (29%) of the 24 employees sampled, Urban League billed DCSS based on budgeted payroll amounts not actual payroll expenditures. The unsupported payroll expenditures totaled \$13,159.

Urban League did not always comply with WIA guidelines or County contract requirements. Specifically, Urban League:

- Did not follow up with five (29%) of the 17 participants that completed the WIA program to ensure the participants retained their jobs.
- Did not prohibit paid employees from being on the Agency's Board of Directors or have a conflict of interest policy in place to prohibit employees on the Agency's Board from voting on matters that may benefit them financially.
- Did not provide adequate security over its inventory. Specifically, Urban League could not locate four (40%) of the items sampled with a total cost of \$7,150.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Urban League on April 10, 2007. In their attached response, Urban League provided reasons why they believe they do not need to repay DCSS \$493,430. Urban League also indicated that we did not provide a breakdown of the amounts in question. The details of our findings were discussed with Agency management on June 27, 2006, March 30, 2007, and again on April 10, 2007. During our discussions on June 27, 2006, and April 10, 2007, Urban League agreed to provide additional documentation to support their expenditures. As of the date of this report, Urban League has not provided the documentation.

Due to the volume and confidential nature of the documents, we did not include some of the attachments Urban League referenced in their response. We notified DCSS of the results of our review. We will follow up our recommendations during next year's monitoring review. We thank Urban League for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
John W. Mack, President and CEO, Los Angeles Urban League, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
LOS ANGELES URBAN LEAGUE, INC.
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether the Los Angeles Urban League, Inc. (Urban League or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 40 (10%) participants (20 from the South Central office and 20 from the Pomona office) from a total of 404 participants that received services between July 2005 and May 2006. We also reviewed the participants' case files to confirm their eligibility for WIA services.

Results

Urban League maintained appropriate documentation for all 40 participants to support the participants' eligibility to receive services.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 40 (10%) participants that received services during July 2005 through May 2006. We also interviewed 13 participants.

Results

The 13 participants interviewed confirmed that the services received met their expectations. However, Urban League did not always comply with WIA guidelines. Specifically, Urban League did not:

- Complete the Individual Employment Plans (IEP) for three (15%) of the 20 South Central participants sampled. The IEP is an on-going plan, jointly developed by the participants and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals.
- Obtain the participants' signatures on the required documents, such as Nepotism forms, for all 17 South Central participants that left the WIA programs.
- Follow up with five (29%) of the 17 South Central participants that left WIA programs to ensure the participants retained their jobs.
- Report the participants' activities on the Job Training Automation (JTA) system for two (5%) of the 40 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations**Urban League management:**

1. **Ensure that staff complete the IEP.**
2. **Ensure that staff obtain the participants' signatures on required forms.**
3. **Ensure that staff follow up with participants that left the WIA programs in accordance with WIA guidelines.**
4. **Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Urban League's May 2006 bank reconciliation.

Results

Urban League maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner. However, Urban League did not obtain two signatures on all checks as required by the County contract. Urban League also did not maintain adequate documentation to support their monthly bank reconciliation. Specifically, Urban League did not maintain a listing of outstanding checks to support the amount on South Central's bank reconciliations. Accordingly, we were unable to determine whether outstanding checks are periodically cancelled. These findings were also reported in the prior year's monitoring reports.

Recommendations**Urban League management:**

- 5. Ensure that two signatures are obtained on all checks.**
- 6. Ensure that bank reconciliations are prepared with supporting documentation.**
- 7. Ensure that outstanding checks cancelled periodically.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 51 (37%) of the 137 non-personnel expenditures transactions billed by Urban League for April 2006, totaling \$48,034.

Results

Urban League over billed DCSS \$321,555. Specifically, Urban League:

- Billed DCSS \$163,153 for non-WIA related expenses during Fiscal Year (FY) 2005-06. Urban League billed for rent, building security and office supplies that were not used for the WIA programs.
- Did not obtain written approval from DCSS to lease several copiers with a total cost of \$93,374 per year. The County contract requires prior written approval from DCSS for equipment costing over \$5,000 and copies of lease agreements to support lease expenditures. This finding was also reported in the prior year's monitoring reports. On February 14, 2005, Urban League sent a letter to DCSS requesting a retroactive approval for the equipment leases. The Agency should have discontinued charging the WIA program for the leased costs until DCSS responded to the approval request. As of April 18, 2007, DCSS has not responded to Urban League's request.
- Exceeded budgeted amounts for rent, office supplies, building security, training, equipment leases, advertising/marketing, postage and insurance by \$65,028. The County contract requires the contractor to request reimbursement for actual expenditures incurred not to exceed budgeted amounts allocated by each cost category.

Recommendations

Urban League management:

- 8. Repay DCSS \$321,555.**
- 9. Only bill DCSS for WIA related expenditures.**
- 10. Ensure that prior written approval is obtained for equipment costs over \$5,000.**
- 11. Ensure that expenditures do not exceed budgeted amounts allocated by cost category.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted on-site visits at both the South Central and Pomona offices, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Urban League maintained sufficient internal controls over its business operations. However, Urban League was not always in compliance with all WIA and County contract requirements. Specifically, Urban League did not:

- Have a policy in place that prohibited paid employees from being on the Agency's Board of Directors or employees on the Agency's Board from voting on matters that may benefit them financially.
- Obtain a fire or building inspection for the South Central office.
- Maintain the required hours of operation at the South Central office. South Central's hours of operation were from 8:00 a.m. to 5:00 p.m., Monday through Friday. However, the County contract required the South Central's office to operate on Saturdays too.
- Mark the invoices and other supporting documentation as "paid." This finding was also reported in the prior year's monitoring reports.
- Perform a fair market assessment for the facility it currently leases for the Pomona office. Federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.
- Maintain a procurement policy that required three documented price quotations for purchases over \$1,000.

Recommendations**Urban League management:**

- 12. Establish a policy to prohibit paid employees from being on the Agency's Board of Directors and a conflict of interest policy to prohibit the Agency's Board from voting on matters that may benefit them financially.**
- 13. Obtain a fire and building inspection.**
- 14. Ensure that the hours of operation are maintained as specified in the County contract.**

15. Ensure that invoices and other supporting documentation are marked "paid."
16. Conduct a fair market assessment for leased facilities.
17. Ensure that the Agency's procurement policy is in compliance with federal regulatory guidelines and distributed to personnel.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 21 (4%) of the 477 items purchased with WIA funds, totaling \$144,428.

Results

Generally, Urban League used the equipment purchased with WIA funding for the WIA program. However, Urban League did not always provide adequate security over its inventory. Specifically, Urban League did not locate four (40%) of the ten items sampled at the South Central office with a total cost of \$7,150. In addition, Urban League did not properly tag one (10%) of the 10 equipments sampled at the South Central office with a County property tag as required.

Recommendations

Urban League management:

18. Ensure that inventory is appropriately safeguarded.
19. Investigate the missing inventory items and follow appropriate procedures for reporting lost or stolen inventory to DCSS.
20. Ensure that all equipment purchased with WIA funds are properly tagged.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for 24 employees, totaling approximately \$144,409, to the payroll records and time reports for April 2006. We also interviewed two staff and reviewed personnel files for ten staff assigned to the WIA programs.

Results

Urban League's employee timecards did not always indicate the hours worked each day by program as required by the County contract. As a result, Urban League billed DCSS based on budgeted payroll amounts not actual payroll expenditures for seven (29%) of the 24 employees sampled. Unsupported payroll expenditures totaled \$13,159.

Urban League did not fill two full time budgeted positions at the South Central office or three full time budgeted positions at the Pomona office. Urban League also did not maintain proof of auto insurance, copies of employees' driver's licenses or job descriptions in six (60%) of the ten employees' personnel files sampled. In addition, Urban League did not conduct an annual performance evaluation for two (40%) of the ten employees. The last performance evaluations were performed in May 2004.

Recommendations

Urban League management:

- 21. Repay DCSS \$13,159 and for any benefits associated with the unsupported payroll expenditures.**
- 22. Bill DCSS based on actual expenditures incurred and not based on budgeted amounts.**
- 23. Fill all budgeted positions to ensure that contractual commitments are met.**
- 24. Ensure that required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed Urban League's Cost Allocation Plans and a sample of expenditures incurred by the Agency from July 2005 through May 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Urban League's Cost Allocation Plans were prepared in compliance with the County contract. However, the costs were not always appropriately allocated. As previously indicated, Urban League billed DCSS based on budgeted payroll amounts not actual payroll expenses for seven (29%) of the 24 employees sampled. According to the Agency's Cost Allocation Plans, direct personnel costs are to be allocated based on actual hours worked and shared personnel costs are to be allocated based on the percentage of participants enrolled in each of the Agency's programs.

During our review of the Agency's General Ledger, Urban League reallocated both the direct and shared employees' payroll expenditures based on the percentage of participants enrolled in each of the Agency's programs at quarter end. According to Agency management, this practice of reallocating payroll expenditures was due to a misunderstanding of prior year's monitoring recommendation.

Recommendation

- 25. Urban League management ensure that the Agency's Cost Allocation Plans are correctly applied to program costs.**

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring reviews completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from the FY 2004-05 monitoring review were implemented. The reports were issued in April 2005.

Results

The prior year's monitoring reports for Urban League's South Central and Pomona offices contained 13 recommendations. Urban League implemented three of the 13 recommendations. As previously noted, we reported similar findings in this review related to seven of the 10 outstanding recommendations. One of the three remaining recommendations required the Agency to provide documentation on the WIA property disposed of by the Pomona office.

The two remaining recommendations required Urban League to reallocate South Central's charges and provide documentation to support South Central's contractor services billed to DCSS in FY 2003-04, totaling \$83,550. Urban League's FY 2004-05 close-out invoice for South Central also included unsupported contractor services expenditures, totaling \$75,166. Urban League needs to implement the recommendations or repay DCSS \$158,716 for unsupported expenditures.

Recommendation

- 26. Urban League immediately implement the outstanding recommendations from FY 2004-05 monitoring reports, or repay DCSS \$158,716 for unsupported expenditures.**
- 27. DCSS follow up to ensure that Urban League implements outstanding recommendations.**



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County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Ave. Suite #51
Alhambra, Ca 91803

Attention: Yoon Bae

Regarding: 2005-2006 Audit Response

You will find listed below our response to your letter dated April 19, 2007.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 40 (10%) participants that received services during July 2005 through May 2006. We also interviewed 13 participants.

Results

The 13 participants interviewed confirmed that the services received met their

expectations. However, Urban League did not always comply with WIA guidelines. Specifically, Urban League did not:

- Complete the Individual Employment Plans (IEP) for three (15%) of the 20 South Central participants sampled. The IEP is an on-going plan, jointly developed by the participants and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals.
- Obtain the participants' signatures on the required documents, such as Nepotism forms, for all 17 South Central participants that left the WIA programs.
- Follow-up for five (29%) of the 17 South Central participants that left the WIA programs.

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- Report the participants' program activities on the Job Training Automation (JTA) system for two (5%) of the 40 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations

Urban League management:

1. Ensure that staff complete the IEP.
2. Ensure that staff obtain the participants' signatures on the required forms.
3. Ensure that staff follow-up with participants that left the WIA programs in accordance with WIA guidelines.
4. Ensure that staff accurately update the JTA system to reflect the participants' program activities.

Response

1. We agree that the staff needs to complete all IEP plans. We also need the names of the three participants, so we can ensure the IEP plans were completed.
2. To ensure we are following all guidelines we will review all 17 participants' files to insure all forms are signed and resubmitted to the auditors for further review.
3. To be in line with WIA guidelines, we will follow-up with the five participants the left the program. Once and update is done we will resubmit to the auditor for review.
4. We will update the JTA system to reflect the participants' program activities. Once this update is done we will resubmit it to the auditors for final review.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank.

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account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Urban League's May 2006 bank reconciliation.

Results

Urban League maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner. However, Urban Leagues did not obtain two signatures on all checks as required by the County contract. Urban League also did not maintain adequate documentation to support their monthly bank reconciliation. Specifically, Urban League did not maintain a listing of outstanding checks to support the amount on South Central's bank reconciliations. As such, we were unable to determine whether *outstanding checks are periodically cancelled. These findings were also reported in the prior year's monitoring reports.*

Recommendations

Urban League management:

5. Ensure that two signatures are obtained on all checks.
6. Ensure that bank reconciliations are prepared with supporting documentation.
7. Ensure that unclaimed checks cancelled periodically.

Response

5. The Los Angeles Urban League spells out its policy on check signings in its Financial Policies & Procedures. (see attached manual section 6.3.6.2)
6. We are submitting June 2006 Bank reconciliation and its supporting documents that show no outstanding checks past 90 day.
7. Please ref to our section 3.1.5 with concerns about outdated checks.

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EXPENDITURES/PROCUREMENT

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Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 51 (37%) of the 137 non-personnel expenditures transactions billed by Urban League for April 2006, totaling \$48,034.

Results

Urban League over billed DCSS \$321,555. Specifically, Urban League:

- Billed DCSS \$163,153 for non-WIA related expenses during Fiscal Year (FY) 2005-06. Specifically, Urban League billed for rent, building security and office supplies that were not used for the WIA programs.
- Did not obtain written approval from DCSS to lease several copiers, totaling \$93,374 per year. The County contract requires a prior written approval from DCSS for equipment costing over \$5,000 and copies of lease agreements to support lease expenses. This finding was also reported in the prior year's monitoring reports. On February 14, 2005, Urban League sent a letter to DCSS requesting a retroactive approval for the equipment leases. However, as of April 18, 2007, DCSS has not responded to Urban League's request.
- Exceeded budgeted amounts for rent, office supplies, building security, training, equipment leases, advertising/marketing, postage and insurance by \$65,028.

The County contract requires the contractor to request for reimbursement for

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actual expenditures incurred not to exceed budgeted amounts
allocated by each
cost category.

Recommendations
Urban League management:

8. Repay DCSS \$321,555.
9. Bill DCSS for WIA related expenditures.
10. Ensure that prior written approval is obtained for equipment over \$5,000.
11. Ensure that expenditures do not exceed budgeted amounts allocated by each cost category.

Response

8. We disagree with the idea that the Urban League over-billed DCSS for \$321,555. But we would like a breakdown from the auditor to support this amount.
9. DCSS is aware of our position with the Pomona facility, and we have heard no recourse. At the same time we billed DCSS \$0 for rent, utilities and janitorial for our Avalon site where we maintain a larger share of space than in the Pomona facility. That being said this s/b a wash or DCSS would owe EDD money.
10. A letter was sent to DCSS on April 4, 2005 for an approval to lease copiers. We haven't received a response yet. So without that approval the auditors disallowed the copier lease expense for both Pomona and South Central. A copy of the letter is attached, and how is LAUL suppose to perform duties without proper equipment.
11. To prevent this from happening again we modify our budgets more often. These changes will prevent us from exceeding our per line budgets.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its

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business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted on-site visits at both the South Central and Pomona offices, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Urban League maintained sufficient internal controls over its business operations. However, Urban League was not always in compliance with WIA and

- County contract requirements. Specifically, Urban League did not:
- Prohibit paid employees from being on the Agency's Board of Directors or have a conflict of interest policy in place to prohibit employees on the Agency's Board from voting on matters that may benefit them financially.
 - Obtain a fire or building inspection for the South Central office.
 - Maintain the required hours of operation at the South Central office. Specifically, South Central's hours of operation were from 8:00 a.m. to 5:00 p.m., Monday through Friday. However, the County contract also required the South Central's office to operate on Saturdays.
 - Mark the invoices and other supporting documentation as "paid."

This finding

was also reported in the prior year's monitoring reports.

- Perform a fair market assessment for the facility it currently leases for the

Pomona office. Federal guidelines require that a cost or price analysis be

performed to determine the reasonableness of the lease payments.

- Maintain a procurement policy that required three documented price quotations

for purchases over \$1,000.

Recommendations

Urban League management:

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12. Establish a conflict of interest policy to prohibit paid employee on the Agency's Board from voting on matters that may benefit them financially.
13. Obtain a fire and building inspection.
14. Ensure that the hours of operation are maintained as specified in the County contract.
15. Ensure that invoices and other supporting documentation are marked "paid."
16. Conduct a fair market assessment for leased facilities.
17. Ensure that the Agency's procurement policy is in compliance with regulatory guidelines and distributed to personnel.

Response

12. Our signed contracts with DCSS have a Conflict of Interest provision that we follow. And our statement is no time is paid employee's is or ever on the Board of Directors. (see attached letterhead)
13. A copy of the inspection permit is with EDD who is the primary lease holder.
14. It is the Policy of the Los Angeles Urban League to operate from 8:00 to 5:00 Monday thru Friday. I will also state quite often LAUL's work-source centers will operate events, functions, and training on Sat. and Sundays. We will change the WIA contracts to reflect the operating policy of the Los Angeles Urban League.
15. We Agree, that invoices should be stamped "Paid", and will insure this is done in the future.
16. We will complete a fair market assessment for our Pomona site to meet the auditors request.
17. We will amend our procurement policy to reference the guidelines set by the County of Los Angeles.

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FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 21 (4%) of the 477 items purchased with WIA funds, totaling \$144,428.

Results

Generally, Urban League used the equipment purchased with WIA funding for the WIA program. However, Urban League did not always provide adequate security over its inventory. Specifically, Urban League did not locate four (40%) of the ten items sampled at the South Central office, totaling \$7,150. In addition, Urban League did not properly tag one (10%) of the 10 equipments sampled at the South Central office with a County property tag as required.

Recommendations

Urban League management:

18. Ensure that inventory is safeguarded.
19. Investigate missing inventory and follow appropriate procedures for reporting lost or stolen inventory to DCSS.
20. Ensure that all equipment purchased with WIA funds are properly tagged.

Response

18. It's the policy of The Los Angeles Urban League to monitor and care for all inventory under its control.

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19. We will inform DCSS of any lost or stolen inventory under the control of The Los Angeles Urban League, and follow the appropriate procedure given by DCSS. See attached sheet #19
20. We will locate and tag all equipment described in our inventory list, and forward this updated information to DCSS. See attached sheet #19

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for 24 employees, totaling approximately \$144,409, to the payroll records and time reports for April 2006. We also interviewed two staff and reviewed personnel files for ten staff assigned to the WIA programs

Results

Urban League's employee timecards did not always indicate the hours worked each day by program as required by the County contract. As a result, Urban League billed DCSS based on budgeted payroll amounts not actual payroll expenses for seven (29%) of the 24 employees sampled. Unsupported payroll expenses totaled \$13,159. Urban League did not fill two full time budgeted positions at the South Central office or three full time budgeted positions at the Pomona office. Urban League also did not maintain proof of auto insurance, copies of employees' driver's licenses or job descriptions in six (60%) of the ten employees' personnel files sampled. In addition, Urban League did not conduct an annual performance evaluation for two (40%) of the ten employees. The last performance evaluations were performed in May 2004.

Recommendations

Urban League management:

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21. Repay DCSS \$13,159 and for any benefits associated with the unsupported payroll expenses.
22. Bill DCSS based on actual expenditures incurred and not based on budgeted amounts.
23. Fill all budgeted positions to ensure that contractual commitments are met.
24. Ensure that required documentation is maintained and updated on a regular bases in the personnel files.

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Response

21. We have submitted time management sheets for all employees requested, which validate the expense to the County of Los Angeles.
22. We well use the time management sheets to insure all payroll expenses are being billed based on actual time worked.
23. The unfilled positions were not filled due to the lack of a qualified person. In the future we will fill all positions sooner.
24. We will update our personal folders to have all the needed documentation as described by the auditor on the behalf of DCSS, but please see attachment #24 umbrella policy which covers licensed employees driving on LAUL time.

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COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Urban League's Cost Allocation Plans and a sample of expenditures incurred by the Agency from July 2005 thru May 2006.

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to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Urban League's Cost Allocation Plans were prepared in compliance with the County contract. However, the costs were not always appropriately allocated. As previously indicated, Urban League billed DCSS based on budgeted payroll amounts not actual payroll expenses for seven (29%) of the 24 employees sampled. According to the Agency's Cost Allocation Plans, direct personnel costs are allocated based on actual hours worked and shared personnel costs be allocated based on the percentage of participants enrolled in each of the Agency's programs. During our review of the Agency's General Ledger, Urban League reallocated both the direct and shared employees' payroll expenses based on the percentage of participants enrolled in each of the Agency's programs at quarter end. According to Agency management, this practice of reallocating payroll expenses was due to a misunderstanding of prior year's monitoring recommendation.

Recommendation

25. Urban League management ensure that the Agency's Cost Allocation Plans are correctly applied to program costs.

Response

25. In the Future The Los Angeles Urban League will enlist the following allocation process. All Payroll cost will be allocated based on actual time worked, and all other direct expenses will be allocated based on the ratio of participants served.

PRIOR YEAR FOLLOW-UP

Objective

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Determine the status of the recommendations reported in the prior monitoring reviews completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from FY 2004-05 monitoring review were implemented. The reports were issued in April 2005.

Results

The prior year's monitoring reports for Urban League's South Central and Pomona offices contained 13 recommendations. Urban League implemented three of the 13 recommendations. As previously noted, we reported similar findings in this review related to seven of the 10 outstanding recommendations. One of the three remaining recommendations required the Agency to provide documentation on the disposed WIA property by the Pomona office. The two remaining recommendations required Urban League to transfer South Central's charges and provide documentations to support South Central's contractor services billed to DCSS in FY 2003-04, totaling \$83,550. The contractor services charges were not actual payments made to an outside vendor for services but to reimburse the Agency's General Fund. Urban League's FY 2004-05 close-out invoice for South Central also included contractor services expenses, totaling \$75,166. Urban League needs to implement the recommendations or repay DCSS \$158,716 for unsupported expenditures.

Recommendation

26. Urban League immediately implement the outstanding recommendations from FY 2004-05 monitoring reports, or repay DCSS \$158,716 for unsupported expenditures.
27. DCSS follow up to ensure that Urban League implements outstanding recommendations.

Response

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26. This has been discussed with Jackie Sakane at DCSS
and was approved at the beginning of the 2005-2006 fiscal
year.

We would like to ensure DCSS that The Los Angeles Urban
League would like to continue to serve the people Greater Los
Angeles on their Behalf.

Sincerely,

A handwritten signature in black ink, appearing to read 'Zellie Hudson'.

Zellie Hudson
Controller
Los Angeles Urban League

Zh:jm

Cc: Blair Taylor
Trevor Ware
Barbara Dent-Jiles
Antoinette Anderson

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Los Angeles Urban League - Financial Policies & Procedures

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<p>Contracts are generally required for any significant and/or recurring/non-recurring grant. Any exception to this must be documented and approved by the President/CEO.</p>	
<p>6.3.6.1. All contractual obligations of the company are to be evaluated and reviewed by the applicable member of senior management, and legal counsel where appropriate. A contract is any transaction where a written contract, agreement, renewal or extension that requires a signature is presented as either an option or a requirement, or any transaction where it would be reasonable and prudent to enter into a contract to protect the interests of the company. This includes, but is not limited to: Purchase Contracts, Service Contracts, Maintenance Agreements, Leases, and Software License Agreements.</p>	
<p>6.3.6.2. Signature Authority: In addition to existing policies on dollar-level based signature requirements, all contracts must be signed by the responsible Manager and Director/VP, and if applicable the President/CEO. The dollar-level approvals apply to the total amount of payments over the entire term of a contract. Services or purchase contracts may not be subdivided in order to circumvent the dollar-level approvals. Where several related agreements are to be executed concurrently</p>	

Los Angeles Urban League - Financial Policies & Procedures

5/10/07 3:16 PM

(such as a purchase agreement and a service or maintenance agreement), the total of combined agreements will be used to determine the dollar-level approvals.	
6.4. Other Expenses and transactions	
6.4.1. Insurance Policies: Original Insurance policies will be kept by the Controller/CFO office in a fire proof cabinet. A 'tickler file' of expiration dates for each policy will be kept and reviewed to assure that no policy inadvertently lapses.	The Accounting Department's monthly account reconciliation worksheet includes the key dates for all pre-paid insurances.
6.4.2. Leases: Accounting is to review all leases to determine the proper classification as either operating or capital leases and will set up the proper accounting for each, maintain full and complete records and books.	The Accounting Department's monthly account reconciliation worksheet include all necessary information from the leases to assure they are accounted for properly.
7. NON-OPERATING INCOME AND EXPENSE	
7.1. [pending]	
8. GENERAL ACCOUNTING POLICIES	
8.1. General ledger	
8.1.1. Chart of Accounts: The chart of accounts shall be maintained in a logical and efficient structure. The Controller will have final approval for any add/changes/deletes or other modifications to the chart of accounts. A record of the changes will be kept in the accounting department.	
8.1.2. Journal Entries	
8.1.2.1. Journal entry numbers/descriptions will be	

Los Angeles Urban League - Financial Policies & Procedures

5/10/07 3:16 PM

<p>3.1.3. <i>Petty Cash:</i> The Company maintains a reasonable and prudent <i>Petty Cash Fund</i> for reimbursement of approved minor emergency purchases for which reimbursement by expense report is not practical. Approvals are per the <i>Purchase Approval Policy</i>. Any advances from petty cash are to be approved by the Director. Original receipts are required to support all disbursements. The <i>Petty Cash Clerk</i> shall maintain disbursements journal of all transactions, and shall reconcile the cash and disbursements.</p>	<p>A <i>Petty Cash Fund</i> of \$300 is maintained by every Program. Disbursements can be made prior to a purchase, but require that original receipts (not copies) be presented as soon as possible thereafter. All disbursements are recorded in a worksheet and when the end of the month approaches, the fund is reconciled with the worksheet's ledger and a check request for replenishment of the fund is prepared. All petty cash reconciliations will be submitted by the last day of the month.</p>
<p>3.1.4. <i>Voided Checks and Stop Payments</i></p>	
<p>3.1.4.1. Where the company maintains physical possession of a check to be voided, the signature section is to be cut from the check and the check retained and available for use in completing the bank reconciliations.</p>	
<p>3.1.4.2. The documentation of all stop payment orders is also to be kept with the bank reconciliations.</p>	
<p>3.1.5. <i>Bank Reconciliation</i></p>	
<p>3.1.5.1. After the bank statements are received, accounting will promptly complete all reconciliations.</p>	<p>A. The <i>GL</i> detail is used to reconcile the bank statements. Any non-reconciled items are researched and resolved with appropriate documentation and the indicated journal entries are made. B. An 'outstanding checks list' is prepared for reconciliation of the operating (bank) accounts. C. The controller reviews the completed bank reconciliation.</p>

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3.1.5.2. The person in accounting who processes the disbursements should not perform the reconciliations of the disbursement account.	
3.1.5.3. The final, balanced reconciliation is to be reviewed and approved by Controller, or CFO if prepared by the controller.	
3.1.6. A cash activity report, detailing the daily deposits and disbursements from each bank account will be prepared and distributed to the President/CEO, CFO and Controller.	
3.2. Investments	
3.2.1. The Board of Directors may elect to establish specific policies on diversification, ratings, type(s) of securities and conflict of interests.	
3.3. Accounts Receivable	
3.3.1. Accounts Receivables (Events/Endowment)	
3.3.1.1. Billing & Collections.	
3.3.1.1.1. The Billing & Collection Department shall not have direct access to any function or process that creates Contributor/Contract accounts, which creates or adjusts charges, which posts or adjust payments, write-offs or any value-based transaction on any Contributor/Contract account.	
3.3.1.1.2. The generation and mailing of Event/Endowment invoices and forms is to be done on a prompt and timely	A/R reviews "outstanding receivable report", prints and reviews the statements, preparing the invoices for mailing. After each batch is complete, the A/R Clerk will run the report



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April 4, 2005

Ms. Josie Marquez
Community and Senior Services
County of Los Angeles
3175 W. Sixth Street
Los Angeles, California 90020

RE.: Request for retroactive approval of Los Angeles Urban League Equipment
Lease Expenditures - FY 2004-05

Pomona WIA Contracts: CK22440 and CK22409
South Central (Avalon) WIA Contracts CK22439 and CK22408

Dear Ms. Marquez:

Please approve copier lease expenditures incurred by the Los Angeles Urban League for the four Adult and Dislocated Worker Contracts indicated below, retroactive July 1, 2004. The leased equipment has a useful life of more than one year and a unit monthly cost of at least \$5,000.

The following leased copiers were located at the Pomona office and the table shows the programs' total allocated costs incurred as of February 2005. There will be no further copier lease expenditures charges on these contracts for the contract period ending June 30, 2005.

Copier Vendor: Citicapital	Monthly Lease Amount	Total Charged to Date	Adult CK22439 FY 2004-05	Dislocated Workers CK22408 FY 2004-05
1	\$5,184.63	\$15,553.89	\$6,740.02	\$8,813.87
2	\$1,788.83	5,366.49	2,325.48	3,041.01
		\$20,920.38	\$9,065.50	\$11,854.88

The following leased copiers were located at the Avalon office and the table shows the programs' total allocated costs incurred as of February 2005. There will be an additional copier lease expense of \$10,175.52 (four months at \$2,543.88) to be charged for the contract period ending June 30, 2005.

Leased Copier per Vendor	Monthly Lease Amount	Total Charged to Date	Adult CK22440 FY 2004-05	Dislocated Workers CK22409 FY2004-05
Citicapital	\$1,948.50	\$ 3,897.01	\$2,026.44	\$1,870.57
Lanier	\$2,543.88	12,719.40	6,486.89	6,232.51
		\$16,616.41	\$8,513.33	\$8,103.08

Enclosed is a copy of the applicable lease agreements for your review and our general ledger. If I can be of any additional assistance, please do not hesitate in contacting me at (323) 290-8913.

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Sincerely,

A handwritten signature in cursive script that reads 'Dana Craig'.

Dana Craig
Grant Accounting Monitor

enclosure

cc: Maggie Mireles, County of Los Angeles
John W. Mack, James E. Castillo, Munzel Johnson,
Barbara Dent-Jiles, Joseph Matthews ✓

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#19

In response to the Community and Senior Services inventory audit (findings and recommendations) the Los Angeles Urban League has reconciled the inventory information. The following items have been corrected on the inventory list:

1. Problem:
Compaq Laptop was not available for audit.
Cause:
The employee whom the Laptop was assigned to was not present during time of audit.
Solution:
The employee has since terminated their employment with the Los Angeles Urban League and turned over the Laptop to IT Dept.
2. Problem:
Compaq Computer not found during audit.
Cause:
Los Angeles Urban League has a number of computer that require disposal, this Computer is one of them. It was not visible and needed to be removed from a stack of computers that need to be disposed.
Solution:
Los Angeles Urban League will request permission to dispose of all computers that are no longer cost affective to maintain and out dated.
3. Problem:
Compaq Laptop not tagged.
Cause:
The property tag had began to peel off, and the previous user assigned to use this Laptop completely removed it.
Solution:
Retrieved the tag from user and tape it back on using scotch tape.
4. Problem:
HP Printer 4600 could not be audit.
Cause:
HP Printer is located at HQ.
Solution:
Correct the location on inventory list.
5. Problem:
View Sonio Monitor could not be audit.
Cause:
Monitor was located in the server room at HQ.
Solution:
Correct the location on the inventory list.